

Maricopa County Transportation Excise Tax

Fiscal Year 2008 Year-End Report

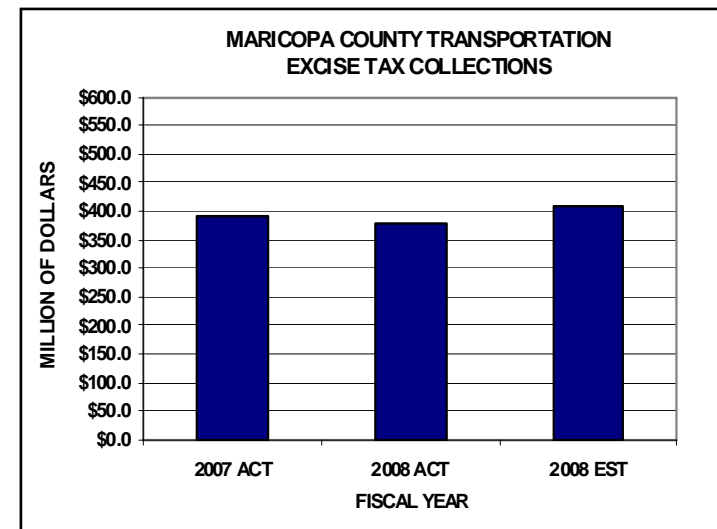


**Arizona Department of Transportation
Financial Management Services
Office of Financial Planning
July 2008**

MARICOPA COUNTY TRANSPORTATION EXCISE TAX EXECUTIVE SUMMARY

The Maricopa County Transportation Excise Tax, often referred to as the "1/2 cent sales tax" is levied upon business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities. Under Proposition 300, transportation excise tax revenues were deposited in the Maricopa County Regional Area Road Fund (RARF) which is administered by the Arizona Department of Transportation. The revenues deposited into the RARF account were the principal source of funding for the Regional Freeway System in Maricopa County and were dedicated by statute to the purchase of right-of-way, design and construction of controlled access highways through December 31, 2005. In November 2004, the Maricopa County voters approved Proposition 400, Maricopa County Transportation Excise Tax, which extended the one-half sales tax for another 20 years through December 31, 2025. The sales tax extension will be used for construction of new freeways, widening of existing freeways and highways, improvements to the arterial street system, regional bus service and high capacity transit services such as light rail.

FY 2008 Maricopa County Transportation Excise Tax collections totaled \$380.1 million, a decrease of 3.2 percent from FY 2007 and 7.0 percent below the forecast. This is the first year-over-year decrease in revenues since the inception of the tax in 1986. The transportation excise tax revenues were negatively impacted by the persistently weak housing and credit markets, higher fuel and food prices, and slower employment and population growth. All of these factors caused consumers to restrain their spending in FY 2008.

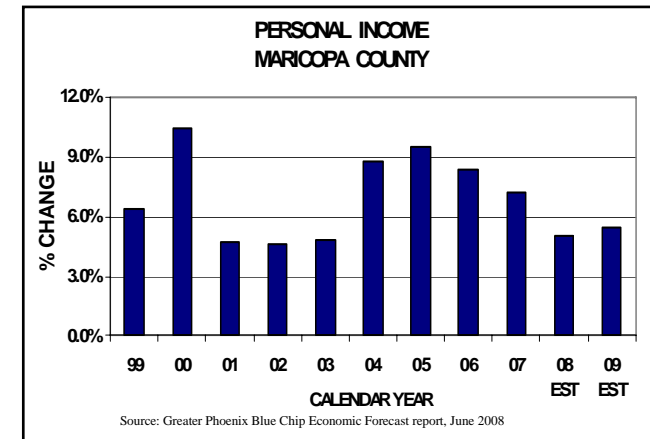
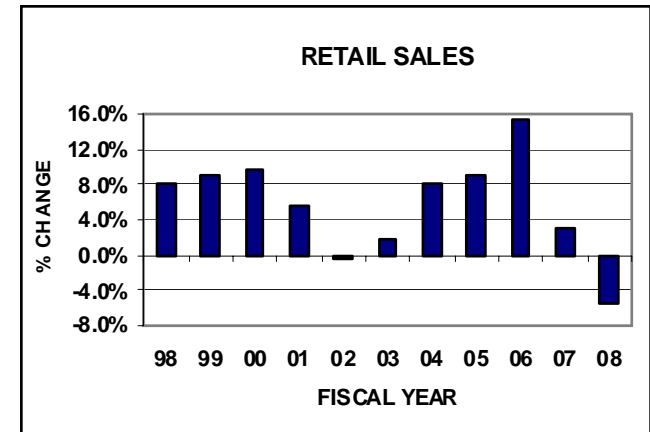


PERFORMANCE BY CATEGORY

RETAIL SALES:

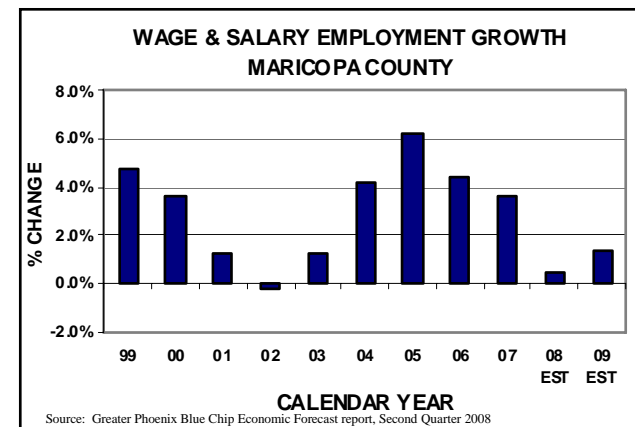
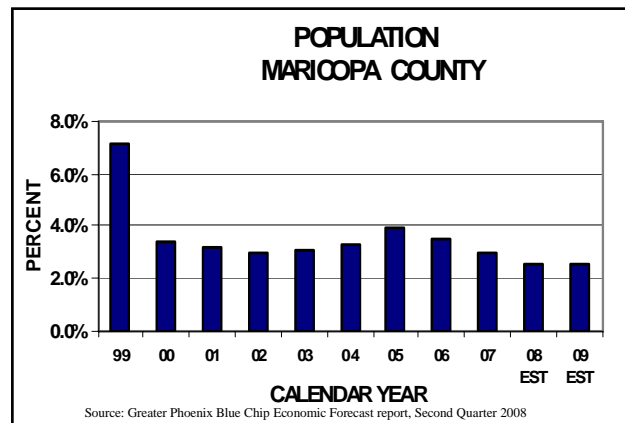
Retail sales collections decreased from \$187.8 million in FY 2007 to \$177.9 million in FY 2008, a decrease of 5.3 percent and finished the year 8.0 percent below the estimate. Retail sales were negatively impacted by the continued weak housing market and higher fuel and food prices which strained consumers budgets. The Greater Phoenix Blue Chip Manufacturer survey showed a low level of optimism for the Maricopa County economy in CY 2008 and CY 2009. The Second Quarter 2008 Greater Phoenix Blue Chip panel members expect retail sales to grow by 2.2 percent in CY 2008 and 3.2 percent in CY 2009.

Maricopa County retail sales are influenced by growth in personal income, population, wage and salary employment, interest rates and consumer confidence. Personal income growth slowed from a recent peak of 9.5 percent in CY 2005 to 7.2 percent in CY 2007 and is estimated to have lower growth rates in CY 2008 and CY 2009 of 5.0 and 5.4 percent, respectively. Similarly, population is expected to grow at a slower pace. In CY 2005, population growth was 3.9 percent versus 3.0 percent in CY 2007. Looking forward, Maricopa County population is estimated to grow at 2.5 percent for both CY 2008 and CY 2009. Maricopa County wage and salary employment growth rate was 6.2 percent in CY 2005 slowing to 1.0 percent in CY 2007. In CY 2008 and CY 2009, the panel members expect the wage and salary employment growth to be 0.5 and 1.4 percent, respectively.



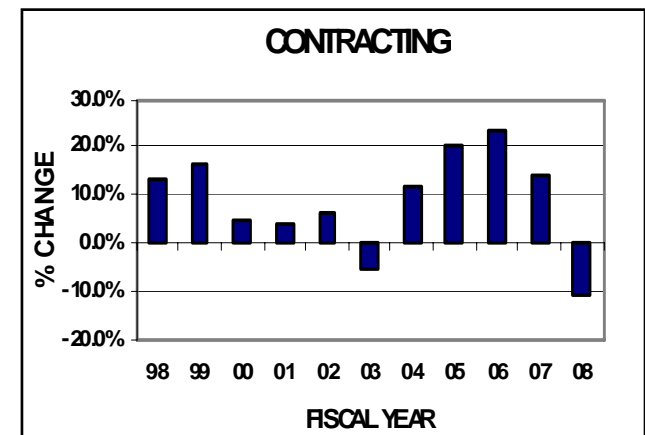
RETAIL SALES: Continued

The Greater Phoenix Blue Chip report noted the Maricopa County economy has seen no job growth for the first half of CY 2008 and expects job creation in the county to be below average unless the housing sector begins to show signs of recovery.

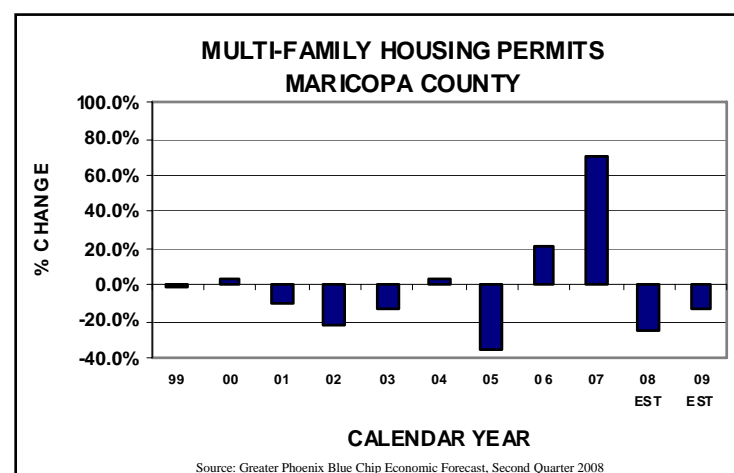
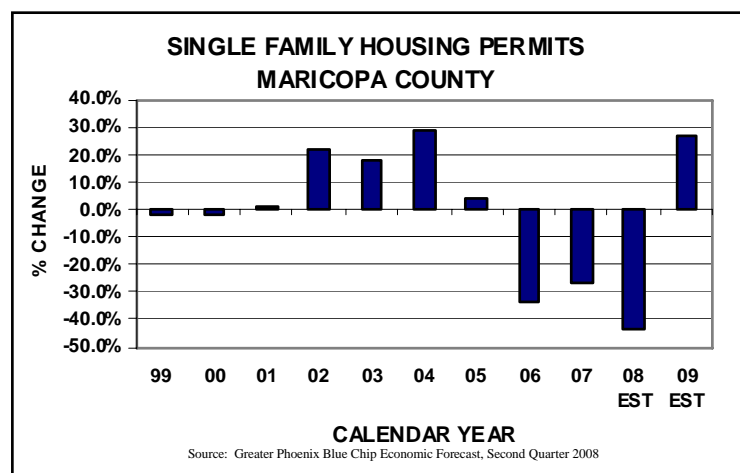


CONTRACTING:

Contracting revenues totaled \$66.1 million, a decrease of 10.6 percent below both FY 2007 and the FY 2008 estimate. The contracting revenue category has been impacted by the continued slowdown in the housing market in Maricopa County caused by the large inventory of unsold homes, which in turn, has resulted in a substantial drop in most home values. Even consumers in the market to buy are reluctant due to falling home prices. With slower population growth the commercial construction sector has also begun to feel the affects with fewer commercial and retail construction activity.



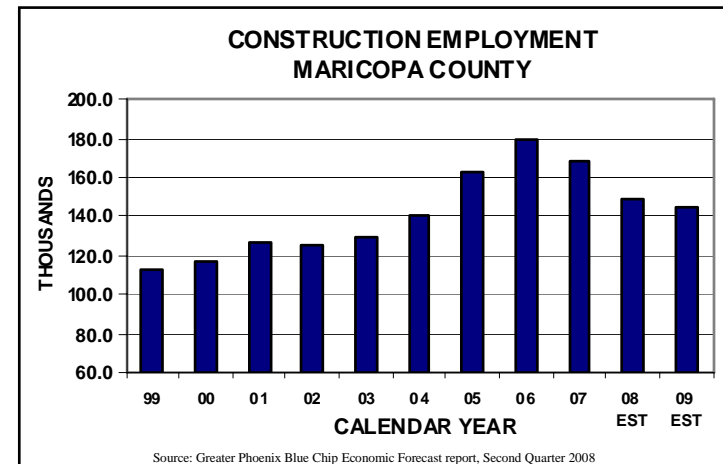
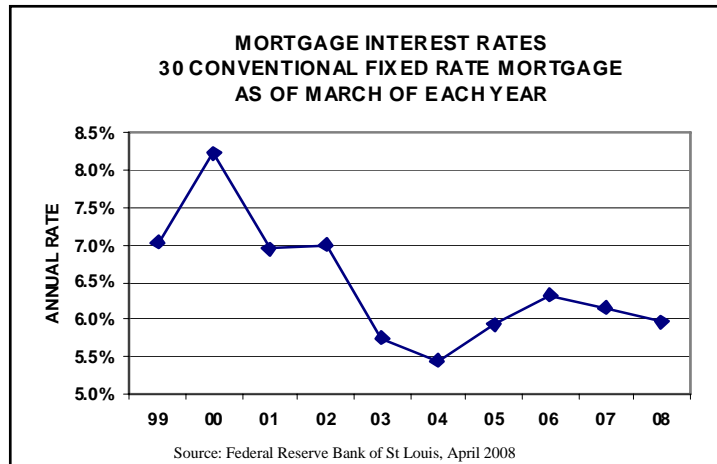
The single family housing permit growth rate in CY 2005 was 4.4 percent but had negative growth in CY 2006 and CY 2007 of 33.3 and 26.5 percent, respectively. The Greater Phoenix Blue Chip expert panel forecasts single-family housing permits will continue to drop by 43.5 percent in CY 2008 before reversing to increase by 26.4 percent in CY 2009. With more homeowners losing their homes, the demand for rental apartments or multi-family homes has increased in the short term. The number of multi-family housing permits grew by 20.7 percent in CY 2006 and 70.2 percent in CY 2007. However, in CY 2008 and CY 2009, the panel expects the multi-family permits growth rate to decline by 25.4 and 13.3 percent, respectively. Construction activity in the office, retail and industrial sectors is expected to drop in CY 2008 and CY 2009 and vacancy rates are expected to increase in CY 2009. In CY 2007, 3.8 million of square feet of office space was constructed in metropolitan Phoenix. The panel expects an additional 3.6 and 1.7 million square feet of office space to be added in CY 2008 and CY 2009, respectively. Although 11.6 million square feet of retail space was added in Phoenix during CY 2007, the Greater Phoenix area is expected to gain an additional 7.3 and 4.3 million square feet of retail space for CY 2008 and CY 2009, respectively. The industrial sector added 13.2 million of square feet of industrial space in CY 2007 to its inventory and forecast an additional 7.3 and 5.7 million in CY 2008 and CY 2009, respectively.



The Federal Reserve aggressively reduced interest rates and provided cheap money to U. S. banks to provide liquidity to the financial markets in FY 2008. The Fed cut interest rates by 3.25 percentage points since September 2007. Nevertheless, single family housing is expected to be weak through CY 2008.

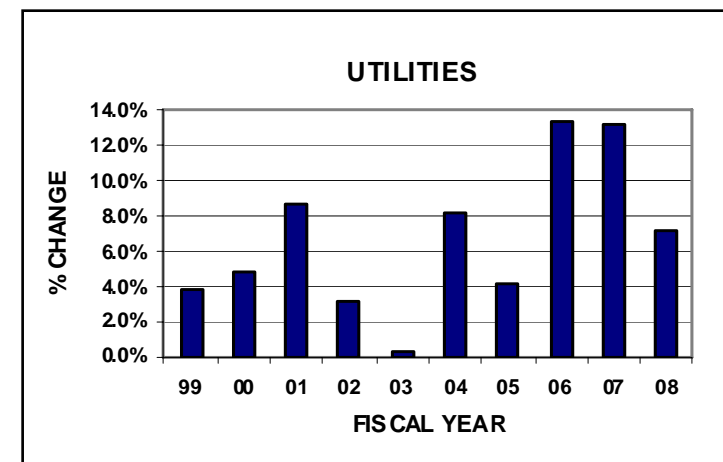
CONTRACTING: Continued

According to the Arizona Department of Commerce, Maricopa County lost 25,900 non-farm jobs between June 2007 to June 2008 with the majority of the loss in the construction sector. The Blue Chip panel expects the construction job loss to continue and predicts a decrease of 11.4 and 2.6 percent in CY 2008 and CY 2009, respectively.



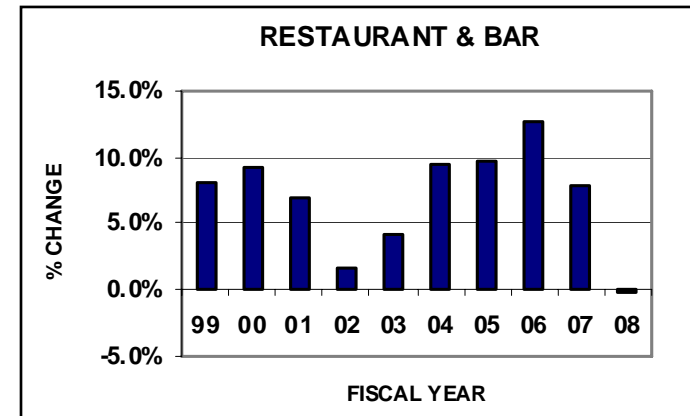
UTILITIES:

FY 2008 utility revenues totaled \$28.6 million, an increase of 7.2 percent over FY 2007 but 1.6 percent below the estimate. The increase in utility collections was due to utility rate increases during the fiscal year. Utility companies in Maricopa County continue to seek rate increases from the Arizona Corporation Commission to recoup their high fuel and infrastructure costs.



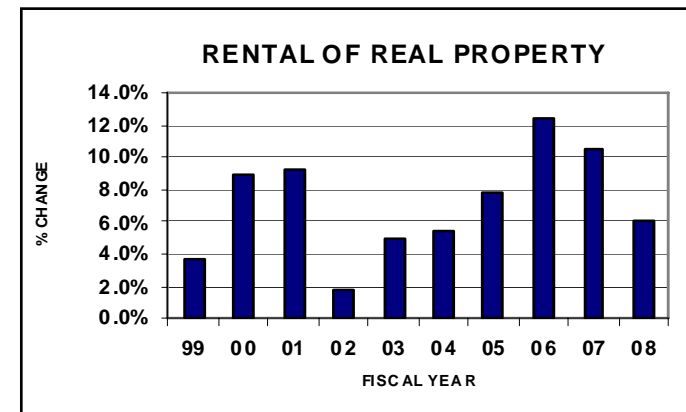
RESTAURANT AND BAR:

Restaurant and bar revenues in FY 2008 totaled \$33.0 million, a decrease of 0.2 percent from FY 2007 and 7.5 percent below the forecast. The restaurant and bar revenue category was affected by the slower economy and higher fuel prices as budget-minded consumers opted to cut down on the number of trips to restaurants. However, in FY 2008, restaurant and bar revenues benefited from a temporary increase in revenues due to the Super Bowl and spring training games.



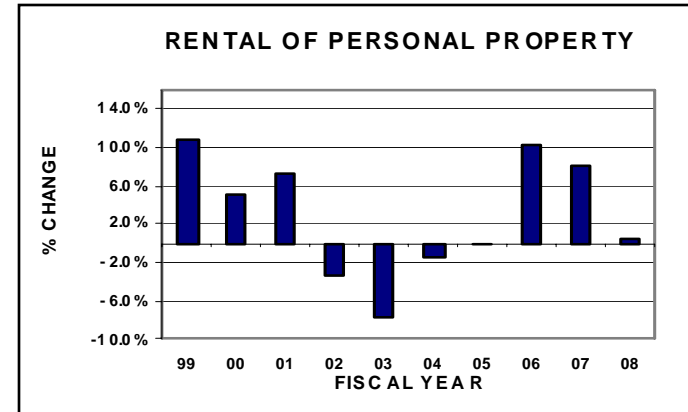
RENTAL OF REAL PROPERTY:

FY 2008 rental of real property revenues amounted to \$38.6 million, a 6.1 percent increase over last year but was 2.8 percent below the estimate. Hospitality and leisure activities including rental of commercial and transient lodging provided the increase in this revenue category. The Super Bowl event brought in an additional 12.4 percent in February sales tax collections for hotels and motels according to the Arizona Department of Revenue as reported in the Arizona Republic on April 27, 2008.



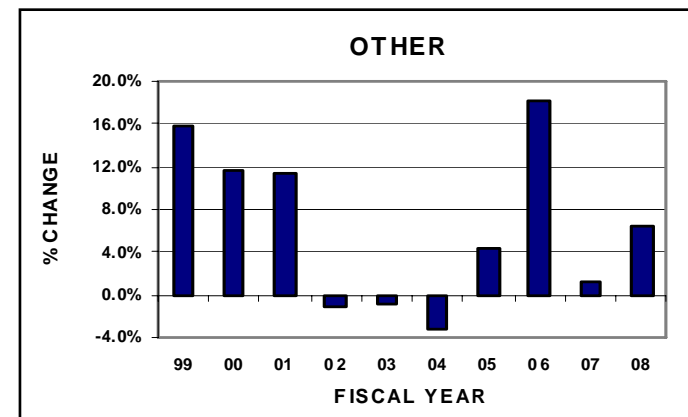
RENTAL OF PERSONAL PROPERTY:

Rental of personal property revenues in FY 2008 amounted to \$15.1 million, an increase of 0.4 percent from FY 2007 but was 6.7 percent below the forecast. This category includes rental vehicles, business and construction equipment leasing and rental of tangible personal properties. Due to the slump in the construction industry, there was less demand for construction equipment leasing.

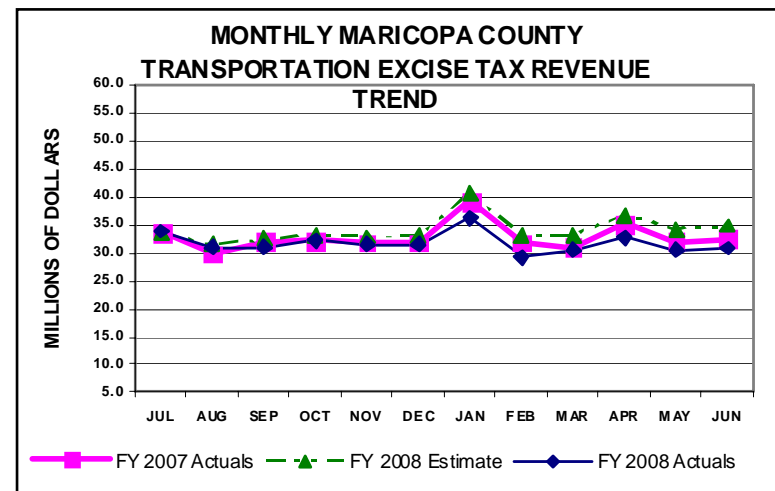
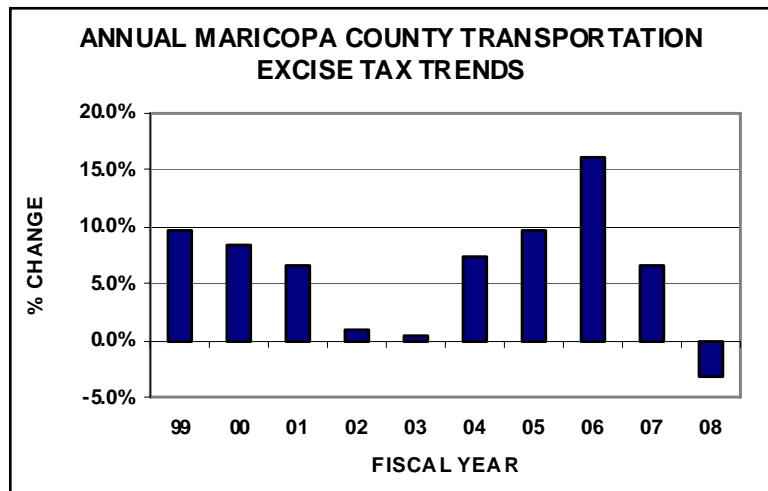


OTHER:

“Other” revenues for FY 2008 totaled \$20.8 million, an increase of 6.4 percent over FY 2007 and 0.5 percent above the forecast. The revenue growth in FY 2008 was due mainly to a one-time revenue gain in the miscellaneous other revenue. The “other” revenue category includes collections from towing and transportation, communications, railroad and aircraft, private rail and pipeline, publishing, printing, amusement, jet fuel tax and miscellaneous other revenues.



REVENUE TREND ANALYSIS



FY 2008 was the first year the Maricopa County Transportation Excise Tax posted negative growth year-over-year since the inception of the tax in 1986. July was the only month when the excise tax collections exceeded the estimate for FY 2008. On the positive side, the utilities, rental of real property, rental of personal properties and other revenue categories posted higher revenues than in FY 2007.

Monthly excise tax revenue collections continue to follow a consistent trend. The spike in January collections was because of holiday retail sales collections. The increase in April collections was due to baseball spring training and winter visitors.

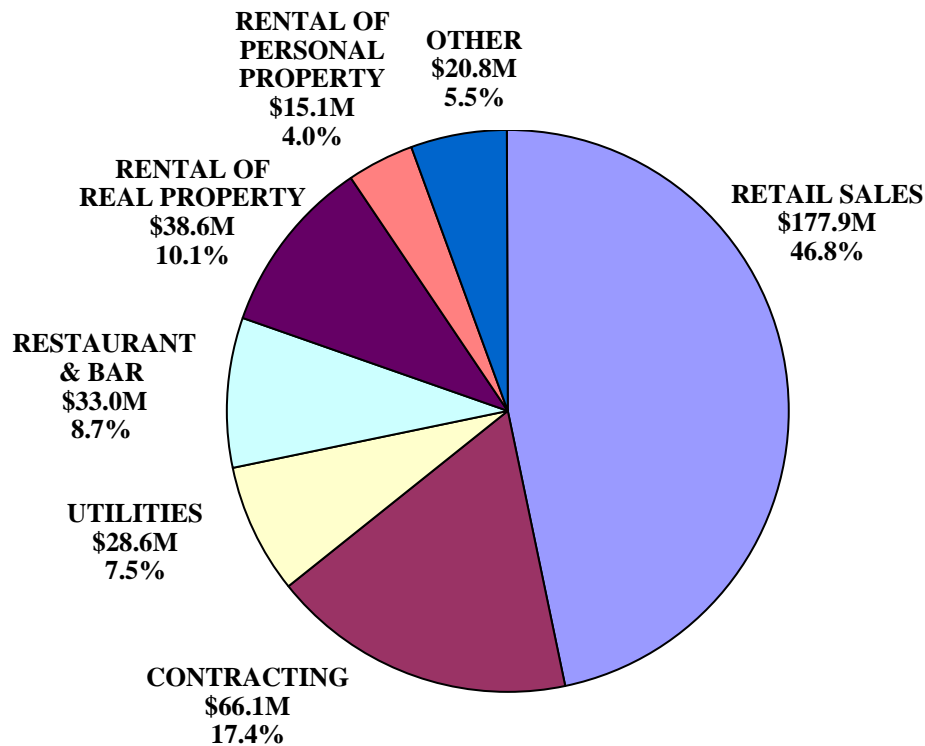
REVENUE PERFORMANCE

MARICOPA COUNTY TRANSPORTATION EXCISE TAX

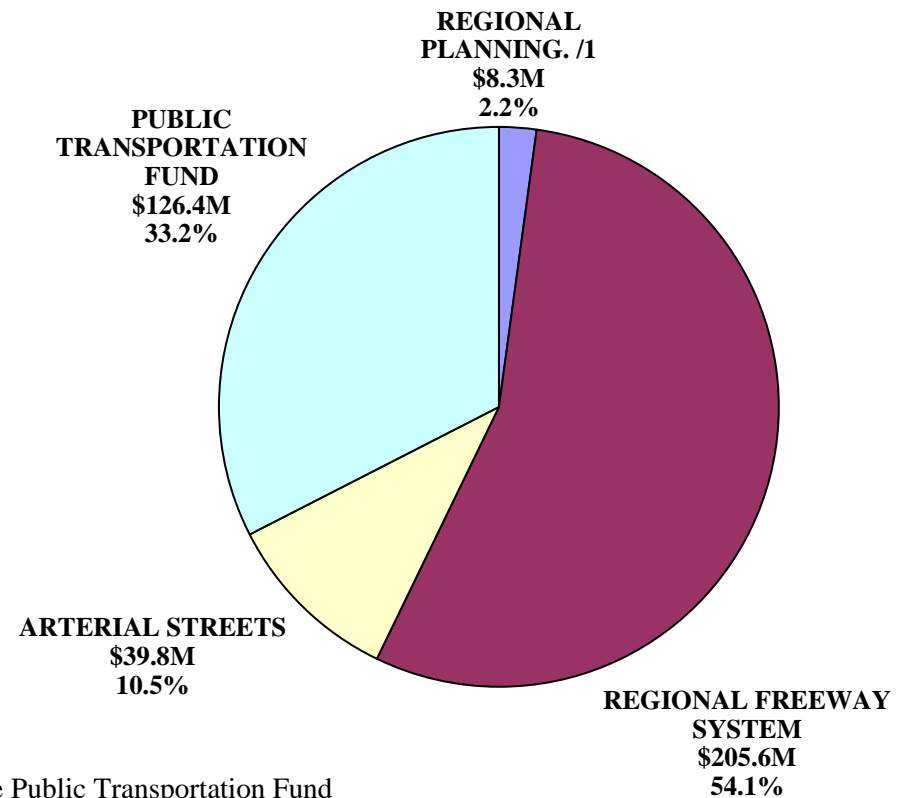
FY 2008 ACTUAL

TOTAL= \$380.1 MILLION

SOURCES



DISTRIBUTIONS



Note: 1/ Funds split evenly between Maricopa Association of Government and the Public Transportation Fund to be used for planning purposes.
Total may not add due to rounding.

MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUE COMPARISON STATEMENT FY 2008

CATEGORY	FY 2007 ACTUAL	FY 2008 ACTUAL	CHANGE	FY 2008 ESTIMATE	CHANGE
RETAIL SALES	\$187,816,622	\$177,844,654	-5.3%	\$193,400,000	-8.0%
CONTRACTING	\$73,864,335	\$66,045,770	-10.6%	73,900,000	-10.6%
UTILITIES	\$26,697,238	\$28,629,604	7.2%	29,100,000	-1.6%
RESTAURANT & BAR	\$33,073,445	\$33,021,064	-0.2%	35,700,000	-7.5%
RENTAL OF REAL PROPERTY	\$36,398,154	\$38,605,418	6.1%	39,700,000	-2.8%
RENTAL OF PERSONAL PROPERTY	\$15,053,411	\$15,111,170	0.4%	16,200,000	-6.7%
OTHER	\$19,548,401	\$20,807,875	6.4%	20,700,000	0.5%
TOTAL	\$392,451,606	\$380,065,555	-3.2%	\$408,700,000	-7.0%

NOTE: Division of collections to business categories is imputed based upon reported taxable income.
Total may not add due to rounding.

MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUES COLLECTED BY CATEGORY FY 1986 – 2008 (Dollars in Thousands)

FISCAL YEAR	RETAIL SALES	CONTRACTING	UTILITIES	RESTAURANT & BAR	RENTAL REAL PROPERTY	RENTAL PERSONAL PROPERTY	OTHER	TOTAL	PERCENT CHANGE
1986 *	\$19,244	\$5,716	\$3,073	\$3,682	\$1,923	\$1,733	\$1,615	\$36,986	
1987	48,085	14,849	8,542	7,579	6,822	4,172	4,782	\$94,831	N/A
1988	51,405	14,188	9,535	8,379	5,994	4,728	4,961	\$99,190	4.6%
1989	53,927	13,947	10,336	8,795	8,952	4,883	5,410	\$106,250	7.1%
1990	55,798	13,286	10,685	9,282	10,808	5,289	5,653	\$110,801	4.3%
1991	56,769	12,715	11,353	9,655	11,091	5,708	6,044	\$113,335	2.3%
1992	59,108	11,688	10,999	10,280	11,707	6,043	6,671	\$116,496	2.8%
1993	64,033	13,385	11,874	11,171	12,993	6,672	7,145	\$127,273	9.3%
1994	72,737	17,039	12,680	12,166	13,414	7,002	7,808	\$142,846	12.2%
1995	81,546	21,107	13,132	13,291	14,660	8,198	8,384	\$160,318	12.2%
1996	90,454	24,284	14,198	14,739	16,822	8,734	9,183	\$178,413	11.3%
1997	96,281	26,948	14,583	15,821	18,298	10,074	10,252	\$192,257	7.8%
1998	104,073	30,610	15,101	16,917	19,552	11,539	11,472	\$209,263	8.8%
1999	113,528	35,632	15,680	18,304	20,266	12,787	13,272	\$229,470	9.7%
2000	124,428	37,384	16,437	20,005	22,080	13,434	14,827	\$248,596	8.3%
2001	131,608	38,820	17,862	21,395	24,112	14,416	16,510	\$264,722	6.5%
2002	131,393	41,218	18,432	21,748	24,529	13,928	16,314	\$267,563	1.1%
2003	133,922	38,894	18,485	22,646	25,747	12,834	16,192	\$268,721	0.4%
2004	144,817	43,524	19,980	24,807	27,163	12,631	15,678	\$288,600	7.4%
2005	158,179	52,325	20,813	27,191	29,310	12,624	16,364	\$316,806	9.8%
2006	182,378	64,822	23,600	30,656	32,949	13,923	19,309	\$367,637	16.0%
2007	187,817	73,864	26,697	33,073	36,398	15,053	19,548	\$392,452	6.7%
2008	177,845	66,046	28,630	33,021	38,605	15,111	20,808	\$380,066	-3.2%
TOTAL	\$2,339,374	\$712,292	\$352,707	\$394,604	\$434,197	\$221,517	\$258,203	\$4,712,893	

COMPOUND ANNUAL GROWTH RATE (FY 1987 - FY 2008) = 6.8%

*The tax (Prop. 300) became effective January 1, 1986 and was extended (Prop. 400) on January 1, 2006 for another 20 years.

Total may not add due to rounding.

MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUE DISTRIBUTION

FY 1986 – 2008

(Dollars in Thousands)

FISCAL YEAR	REGIONAL AREA ROAD FUND			PUBLIC TRANSPORTATION FUND	TOTAL
	FREEWAYS	RPTA/ MAG / 2	ARTERIAL STREETS		
1986/ 1	\$36,986				\$36,986
1987	89,831	\$5,000			94,831
1988	94,056	5,135			99,190
1989	100,963	5,287			106,250
1990	105,325	5,477			110,801
1991	107,652	5,683			113,335
1992	110,579	5,917			116,496
1993	121,141	6,132			127,273
1994	136,553	6,293			142,846
1995	153,864	6,454			160,318
1996	171,826	6,587			178,413
1997	185,507	6,750			192,257
1998	202,380	6,883			209,263
1999	222,450	7,020			229,470
2000	241,505	7,091			248,596
2001	257,529	7,194			264,722
2002	260,222	7,341			267,563
2003	261,219	7,502			268,721
2004	281,012	7,588			288,600
2005	309,092	7,713			316,806
2006/ 3	292,487	7,877	\$16,127	\$51,146	367,637
2007	213,119	8,095	41,050	130,188	392,452
2008	205,576	8,334	39,832	126,324	380,066
Total	\$4,160,872	\$147,354	\$97,009	\$307,657	\$4,712,893

Notes: 1/ The Maricopa County transportation excise tax became effective on January 1, 2006 per Prop. 300. Prop. 300 collections total \$3,788,997,000 but will change due to adjustments, refunds and audits occur.

2/ The Regional Public Transportation Authority received a portion of the excise tax funds for transit costs through December 31, 2006. On January 1, 2007 these funds are distributed evenly to the Maricopa Association of Governments and the Regional Transportation Fund to be used for planning purposes per Prop. 400. These funds are netted from the Freeway funds.

3/ The Prop. 400 became effective on January 1, 2006 and the distributions are as follows: Freeways 56.2%, Arterial Streets 10.5% and Public Transportation Fund 33.3%. Prop. 400 collections total \$923,896,000 from date of inception.

4/ Total may not add due to rounding.

ARIZONA TRANSACTION PRIVILEGE TAX

EXCISE TAX RATES

FY 2008

Taxable Activity	Percent of Total Maricopa County Transaction Privilege Tax Collections	Transaction Privilege Tax Rate	Transportation Excise Tax Rate
Retail Sales	46.8%	5.00%	0.50%
Contracting	17.4%	5.00%	0.50%
Rental of Real Property (including hotels & motels)	10.1%	1.82% *	0.512%
Restaurants and Bars	8.7%	5.00%	0.50%
Utilities	7.5%	5.00%	0.50%
Rental of Personal Property	4.0%	5.00%	0.50%
Communication	3.3%	5.00%	0.50%
Amusements	1.1%	5.00%	0.50%
Publishing and Printing	0.5%	5.00%	0.50%
Other	0.6%	5.00%	0.50%
Mining	0.0%	3.125%	0.3125%
Wholesale Feed	0.0%	0% **	0.00%

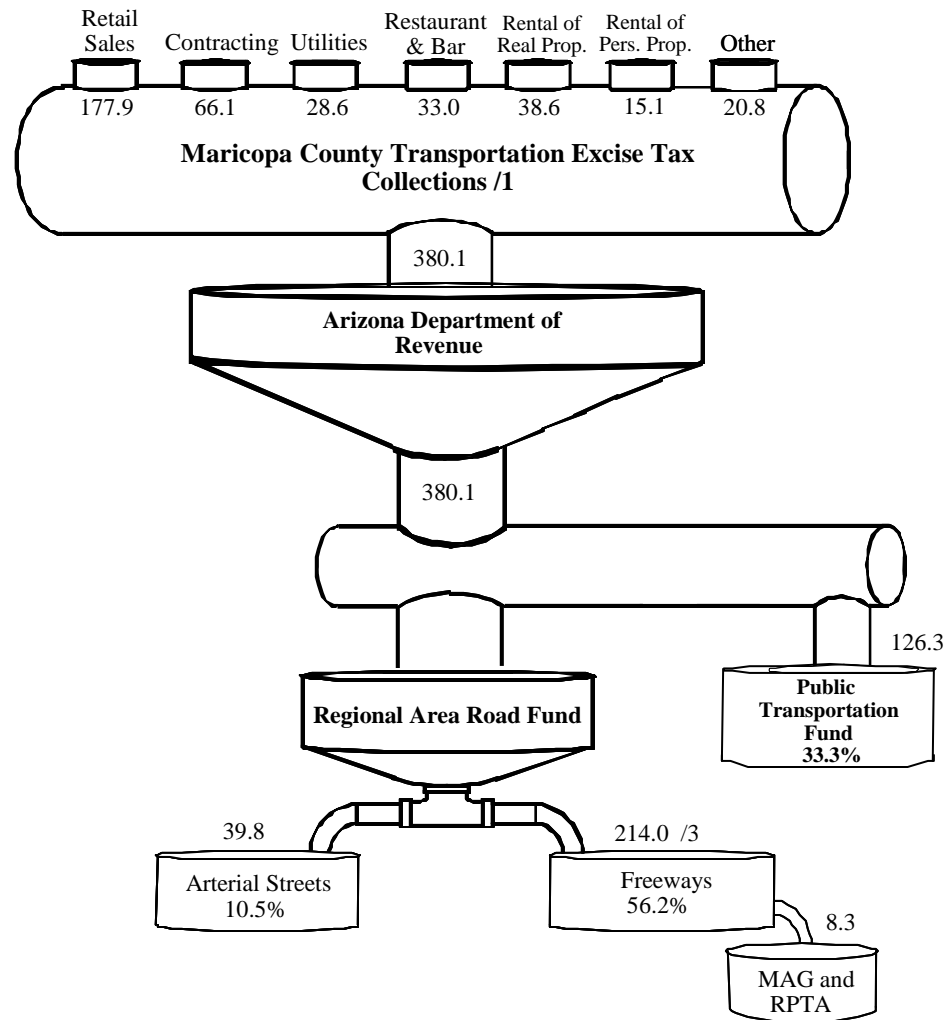
* In 1990 and 1993, legislation reduced the transaction privilege tax rate for real property rentals; however, for transportation excise tax purposes, the rate was retained at its prior level.

** In 1994, legislation repealed the transaction privilege tax for livestock and poultry feed, salts, vitamins and other additives for livestock and poultry. The tax rate was reduced to zero on July 17, 1994 and then the tax classification was repealed on October 1, 1994.

MARICOPA COUNTY TRANSPORTATION EXCISE TAX

FY 2008 ACTUAL REVENUE DISTRIBUTION FLOW

(Millions of Dollars)



NOTES:

/1. Prop 300 expired on December 31, 2005 and Prop. 400 became effective on January 1, 2006. FY 2006 collections and distributions are a mix of both Prop. 300 and Prop. 400. Prop. 300 monies will continue over time due to adjustments, refunds and audits.

/2. Under Prop. 400, the Regional Area Road Fund (ADOT) receives the Freeways 56.2% and the Arterial Streets 10.5% revenues. MAG programs projects for the Arterial Streets 10.5% monies and then bills ADOT for the costs.

/3. A portion of the Freeways 56.2% monies are distributed equally to MAG and the Public Transportation Fund to be used for planning purposes.

REVENUE CATEGORY DEFINITIONS

RETAIL SALES	Includes retail sales of automobiles, durable goods and other general merchandise, apparel, building materials, furniture and other tangible personal property. The tax on food was repealed in July, 1980.
CONTRACTING	Includes prime contracting and dealership of manufactured buildings and owner-builder operations.
UTILITIES	Includes producing and/or furnishing to consumers electricity, natural or artificial gas and water.
RESTAURANT AND BAR	Includes operations of restaurants and drinking establishments.
RENTAL OF REAL PROPERTY	Includes leasing or renting real property, hotels and motels.
RENTAL OF PERSONAL PROPERTY	Includes leasing or renting tangible personal property such as leased vehicles and construction equipment.
OTHER	Includes intrastate transportation of persons, freight or operations of property, intrastate telecommunication services, intrastate operation of pipelines for oil or natural or artificial gas, job printing, engraving, embossing and publication, publication of newspapers, magazines and other periodicals, operations of amusement places and miscellaneous other revenues